

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 L-03 /106 W

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R 081521Z FEB 74

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 2932

UNCLAS THE HAGUE 0716

E.O. 11652: N/A

TAGS: ETRD, US, NL

SUBJECT: CENTRAL BANK RESTRICTIONS ON RESIDENTS' BORROWING FROM
NON-RESIDENTS

REF: (A) STATE 233649 (B) HAGUE 5605

1. SPECIFIC APPROVAL (LICENSE) FROM CENTRAL BANK IS REQUIRED FOR RESIDENTS TO BE ABLE TO BORROW FROM FOREIGN COMMERCIAL BANKS (OR FROM OTHER NON-RESIDENTS AS WELL, INCLUDING BORROWING THROUGH INTRA-COMPANY TRANSFERS). HOWEVER, GENERAL LICENSE PERMITS RESIDENTS TO BORROW UP TO GUILDERS 100,000 PER NON-RESIDENT (INCLUDING FOREIGN COMMERCIAL BANKS) PER YEAR, WITHOUT NEED FOR INDIVIDUAL LICNSE APPLICATIONS AND WITHOUT RESTRICTION AS TO TOTAL NUMBER OF NON-RESIDENTS FROM WHOM SUCH LOANS MAY BE OBTAINED.

2. WHILE BORROWING FROM FOREIGN COMMERCIAL BANKS IN EXCESS OF 100,000 GUILDERS PER YEAR THEORETICALLY PERMITTED WITH CENTRAL BANK LICENSE, THERE IS GENERAL RESTRICTION ON SUCH BORROWING (I.E. LICENSE USUALLY NOT GRANTED) IF LOANS ARE TO BE USED FOR FINANCING OF DOMESTIC ACTIVITIES, INCLUDING PAYMENT OF IMPORTS. IN PRINCIPLE, HOWEVER, CENTRAL BANK WILL CONSIDER FAVORABLY LICENSE APPLICATIONS FOR BORROWING FROM FOREIGN COMMERCIAL BANKS WHERE LOANS ARE INTENDED FOR FINANCING. (A) DIRECT INVESTMENT OUTSIDE THE NETHERLANDS OR (B) PURCHASE FROM NON-RESIDENTS OF SEAGOING VESSELS AND AIRCRAFT FOR USE ON CONTINENTAL AND INTER-
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CONTINENTAL FLIGHTS.

3. BORROWING FROM EXIMBANK.

EXCEPTION TO ABOVE (PARA 2) RULE IS BORROWING FROM EXIMBANK. CENTRAL BANK POLICY (NOT PUBLISHED) IS TO APPROVE ROUTINELY LICENSE APPLICATIONS FOR BORROWING FROM EXIMBANK (WITHOUT RESTRICTION ON AMOUNT OF LOAN) PROVIDED THAT LIFE OF EXIMBANK LOAN IS NOT LONGER THAN CUSTOMARY SUPPLIER CREDIT WOULD BE IN RELEVANT BRANCH OF TRADE. WHERE LIFE OF EXIMBANK LOAN IS LONGER THAN CUSTOMARY SUPPLIER CREDIT WOULD BE, CENTRAL BANK WILL CONSIDER APPLICATIONS FOR LICENSE ON CASE BY CASE BASIS.

4. TRADE CREDIT

RESIDENTS DO NOT RPT NOT REQUIRE CENTRAL BANK LICENSE FOR GRANTING TRADE CREDIT TO OR RECEIVING TRADE CREDIT FROM NON-RESIDENTS WHERE TERMS OF CREDIT ARE CUSTOMARY IN TRADE. HOWEVER, SPECIFIC PERMISSION IS REQUIRED IN ORDER FOR RESIDENTS TO BE ABLE TO RECEIVE TRADE CREDIT FROM NON-RESIDENTS IF PAYMENTS FOR IMPORTS WILL BE LATER THAN NORMAL (BECAUSE THE TERMS OF PAYMENT DEVIATE FROM WHAT IS CUSTOMARY IN TRADE), OR, IN CASE OF EXPORTS, IF PREPAYMENTS RECEIVED BY RESIDENT ARE OTHER THAN WHAT IS CUSTOMARY IN TRADE.

5. IN ALL CASES WHERE SPECIFIC CENTRAL BANK PERMISSION IS REQUIRED, LICENSE APPLICATION MUST BE MADE BY A RESIDENT. APPLICATIONS ARE USUALLY MADE THROUGH AUTHORIZED BANKS IN THE NETHERLANDS RATHER THAN DIRECTLY BY RESIDENT TO CENTRAL BANK. ALTHOUGH DECISION IN EACH CASE IS MADE BY CENTRAL BANK. GOULD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 08 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974THEHA00716
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: THE HAGUE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740244/aaaabpjh.tel
Line Count: 89
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: (A) STATE 233649 (B) HAGUE 5605
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 28 FEB 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 FEB 2002 by bryansd0>; APPROVED <29 NOV 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CENTRAL BANK RESTRICTIONS ON RESIDENTS' BORROWING FROM NON-RESIDENTS
TAGS: ETRD, US, NL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005